

## **EFET is working on energy market arrangements in preparation for Brexit**

The European Federation of Energy Traders (EFET)<sup>1</sup> has today joined Energy UK, Eurelectric, Eurogas and other European energy industry associations in writing to the European Commission and the British government about common arrangements for the energy sector as from April 2019. Negotiations on the future relationship between the UK and the EU27 and on a political declaration to accompany a withdrawal treaty are well underway. The signatory industry associations are united in advocating the inclusion of a comprehensive energy and climate change chapter in a future agreement governing long run terms of trade and conditions of market access.

EFET has been involved in advocacy on, and analysis of, the energy sector aspects of Brexit since the autumn of 2016. We hold fairly regular discussions with UK authorities, with the European Commission and with other industry associations. Our overriding purpose is to help minimise any harmful consequences, especially unintended consequences, of the exit of the UK from the EU on the functioning of European energy markets.

### **A continuation of harmonised energy markets in the long run**

EFET has been working for a continued close association between British markets in power and gas and those in neighbouring countries of the EU. Cross-border competition and liquidity at the wholesale level help to ensure that price signals can inform decisions about production, consumption and investment /divestments, thereby increasing efficiency and minimising costs. Healthy wholesale energy markets can also stimulate retail market competition, reduce barriers to entry in various product and geographic markets and ease the path for efficient production technologies, innovative suppliers, and new services.

A shared European understanding of the benefits of competition and liquidity in wholesale energy markets has underpinned the twenty-five year-long effort to liberalise the power and gas sectors. A common goal has been to establish well-functioning markets in electricity, gas, emission allowances and related derivative products across the continent. Since the early years of this millennium pan-European cooperation has extended to measures to decarbonise the energy sector. We understand and appreciate the political and social complexities around Brexit. However, we hope that a shared understanding and a history of cooperation will help ensure that energy and related derivatives markets continue to function with minimum distortions. We call on the European Commission, the British government and the governments of the EU27 to reach enduring agreement, in the interest of energy system

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<sup>1</sup> The European Federation of Energy Traders (EFET) promotes and facilitates European energy trading in open, transparent, sustainable and liquid wholesale markets, unhindered by national borders or other undue obstacles. We currently represent more than 100 energy trading companies, active in over 28 European countries. For more information, visit our website at [www.efet.org](http://www.efet.org).

efficiency and stability, bearing in mind the benefits accruing to both final consumers and the environment.

### **Transition and “no deal” risks in the short run**

In recent months the EFET secretariat, together with our UK and EU27 based member companies, have been working on analyses designed to help market participants be ready for the withdrawal of the UK from the EU as of April 2019.

We appreciate the formal guidance issued both by the European Commission (EC) and the UK government to assist market participants in preparing for Brexit under different scenarios. However, EFET work goes beyond an assessment of the consequences of a “no deal” for both the UK and EU. Our own analysis also looks at issues which may arise in traded energy markets, even during an agreed transitional period. Ideally the terms of a withdrawal treaty should facilitate continued reciprocal access between UK and EU traded energy markets during a transition, as well as a continuation of a largely harmonised energy market design.

Yet our detailed research has revealed that in a few national markets within the EU27 there are impediments to market participants’ located in third (i.e. non-EU) countries obtaining a supply or trading licence, accessing infrastructure and balancing arrangements, or providing ancillary services. We advocate that the terms of withdrawal effectively overwrite at EU level such national impediments, in line with the political intention to maintain the *status quo* during a transition period. We are in parallel investigating how some restrictions could additionally or alternatively be cured at national level. We are encouraging relevant ministries, regulatory authorities, TSOs and market operators to take a pragmatic approach to avert unnecessary market dislocation.

Other EFET priorities include timely testing by TSOs in the UK and neighbouring countries and by interconnector operators, in cooperation with regulators and market participants, of alternative transmission capacity allocation arrangements, should they be needed as from April 2019. We are furthermore seeking clarity about the effect of Brexit on financial regulatory derogations for non-financial counterparties in commodity derivative markets and pressing for non-duplication of regulated transaction reporting mechanisms.

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